

# Cottonwood Heights, Utah

*City Between the Canyons*

## ANNUAL FINANCIAL REPORT TO THE COMMUNITY

**Fiscal Year Ending June 30, 2015**







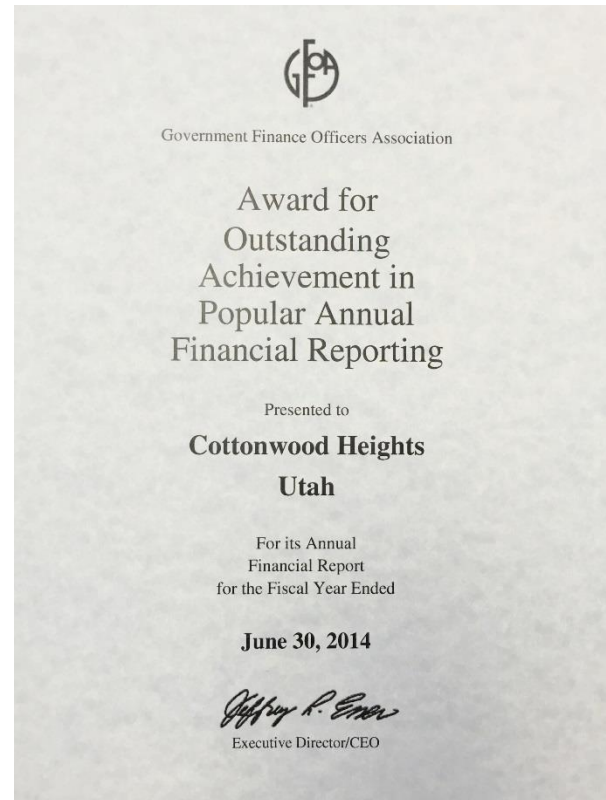
## To the Mayor, City Council and Residents of the City of Cottonwood Heights

The city manager and the entire finance department team are proud to present the third Annual Financial Report to the Community, also known as a *Popular Annual Financial Report* (PAFR) for the fiscal year (FY) ended June 30, 2015. This report provides an overview of the city's financial condition and brief analysis of where City revenue comes from and where those dollars are spent.

**Most of the information in this report is drawn from the financial information in the FY2014-2015 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the city's independent auditors, receiving an "unqualified opinion" (an opinion without auditor exceptions or qualifying comments).**

The Government Finance Officers Association of the United States and Canada (GFOA) gave an Award for Outstanding Achievement in Popular Annual Financial Reporting to Cottonwood Heights for its Popular Annual Financial Report for the fiscal year ended June 30, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.



An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.

Cottonwood Heights received a Popular Award for the second time in 2014. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the CAFR and this document, the PAFR, are available for viewing at city hall and for viewing or printing on the city's website at <http://www.ch.utah.gov/>.





## City Profile

Cottonwood Heights (the City) has “its roots dating back to the first pioneer settlers in the valley.”

*Near what is now Fort Union Blvd. and 2700 East early settlers established a community center with a church and a school. Among the earliest settlers of the area were six colorful brothers. The ‘Butler Brothers’ were lumbermen – complete with wagons, teams, and sawmills.*



The Butler Bros (l to r): Alma, Alua, Leander, Neri, Phalander, and Eri

*There were also four McGhie brothers and their families. Legend has it that they called a town meeting to organize their community and there was one more Butler than McGhie at the meeting, therefore the community received the name ‘Butler’ rather than ‘McGhie.’ Natives differ on this name; some say it was named ‘Butlerville,’ and others say the ‘ville’ was just a nickname.*

*Different parts of the west end of the city were known by other names. One area near 1500 East and 7200 S. was known as Poverty Flats. The Southwest part of the current city was known as Little Cottonwood, or Union.*

*One of the highlights of the area’s history was the Deseret Paper Mill – the ‘Old Mill’ situated along Big Cottonwood Creek about a mile below the mouth of the Big Cottonwood canyon.*

*It operated for many years, furnishing employment for the people of Butlerville and paper for the territory. But on the morning of April 1, 1893, the mill burned down and was never rebuilt as a paper mill. Since the mill’s construction, the railroad had come through and it was cheaper to bring paper in by train than to manufacture it locally.*



The Deseret Paper Mill is one of the highlights of Cottonwood Heights' history and still stands today.

*Cottonwood Heights is in a highly unique location. It has ready access to medical facilities, fire, police and a vast variety of business establishments. Residents can easily access the freeway system and the major ski resorts and as a result are approximately 15 to 20 minutes away from major events and destinations anywhere in the valley. At the same time, most residents enjoy beautiful views of the mountains to the East and /or overlooking the valley to the North, West, and South.*

*Today, retail uses have expanded, with a range of businesses from small ownership to regional scale shopping destinations. The communities in the nearby canyons are flourishing as recreation areas. The ‘Greatest Snow on Earth’ and some of the best winter sports facilities in the world ( Alta, Snowbird, Brighton, and Solitude) are located in the canyons, and the 2002 Winter Olympics have greatly increased the visibility and image of Utah’s Wasatch Mountains and their associated summer and winter recreational opportunities.*

*Picnic and camp areas abound, and are easily accessible to citizens of Cottonwood Heights and visited by citizens from around the valley and around the world. (Excerpted from Cottonwood Heights General Plan)*

*It was built in 1861 to make paper for the Deseret News (newspaper). The paper was made with wood pulp taken from the canyons and rags gathered by families in the valley.*



## *Staff and Elected Officials*

State statutes detail the functions performed by municipalities. Cottonwood Heights is a political subdivision of the State of Utah and a municipal corporation. The City was incorporated on January 14, 2005 out of the southeastern area of unincorporated Salt Lake County. As of the 2010 census the city had 33,433 residents (the Dec 2015 estimate is 34,166) and encompasses approximately 9.24 square miles of land area.



**Mayor**  
**Kelvyn H. Cullimore, Jr.**

At its inception, citizens voted to operate Cottonwood Heights under the Council – Manager form of government. Under this Form of government, the citizens elect a council member from each of four districts and a mayor is elected at large.

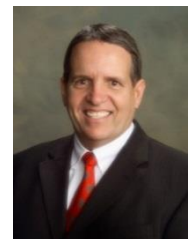


**Council  
Member  
District 1  
Michael  
Shelton**



**Council  
Member  
District 2  
J. Scott Bracken**

The mayor and council select a city manager who acts as the chief executive officer of the city.



**City Manager**  
**John Park**

**Council  
Member  
District 3  
Michael J.  
Peterson**



**Council  
Member  
District 4  
Tee W. Tyler**



Policy-making and legislative authority are vested in the mayor and council while execution and administration of policies and ordinances is the responsibility of the city manager.

The mayor and council serve part time. The city manager serves full time. According to population and Utah law, Cottonwood Heights is classified as a third class city.



## *Local Economy*

Cottonwood Heights has one of the largest amounts of premium, high rise Class A office space in Salt Lake valley at over 2.5

million square

feet. The City

is home to the

corporate

offices of

Extra Space

Storage,

JetBlue

Airways,

Instructure,

MasterControl,

and SanDisk.

Cottonwood

Heights

continues to attract large companies looking for a supportive business environment, access to the canyons and a high quality of life.



## Top Property Tax Payers

- Old Mill Corporate Center (Offices)
- NOP Cottonwood (Corporate Center)
- Fourels Investment Co. (Retail)
- Pinnacle Highland Apartments
- RBCSU Realty
- Santa Fe Apartments
- James Campbell Company, LLC (Retail)
- JSP Farms I
- Reef Union Park
- Union Park



## *Financial Highlights*

**H**ighlights of Cottonwood Heights' financial activities for the FY ending June 30, 2015 include:

- The City ended the year with a total fund balance in governmental funds of \$17,739,951. The fund balance includes \$21,694 in nonspendable funds, \$10,677,487 in restricted funds, \$4,926,100 in assigned funds, and \$2,114,670 in unassigned funds. The unassigned fund balance represents 12.20% of the 2016 beginning general fund budget.
- In fiscal year 2015, the City's total net position from governmental activities decreased by \$1,876,805 to \$52,836,129.
- Much of the decrease in net position was due to the implementation of GASB 68. This accounting standard required the City to make a prior period adjustment recognizing an actuarially calculated net pension position deficit of \$1,551,033.
- For the eighth consecutive year, the City's budget document received a Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA),
- The City also received the Certificate of Achievement for Excellence in Financial Reporting for the third time for its Comprehensive Annual Financial Report (CAFR).





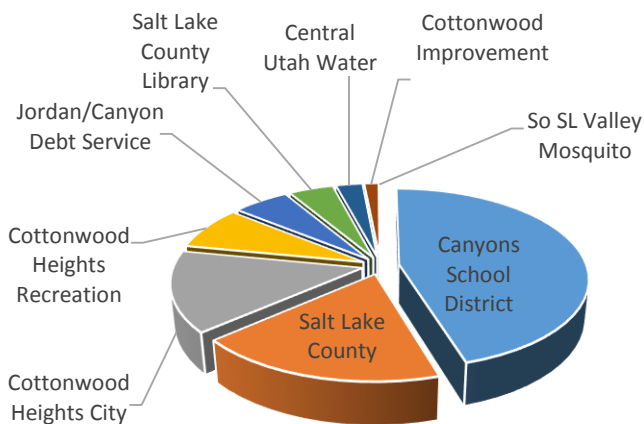
## Funding of Government Services

The funding for the services provided by Cottonwood Heights comes from a variety of sources. The major sources of funding are described below:

**Property Tax.** Property tax is the largest source of revenue for Cottonwood Heights, representing 43% of total governmental revenue. Salt Lake County is charged with assessing all real and personal property in the County.

Residents of Cottonwood Heights pay property taxes to numerous taxing entities including: Canyons School District, Salt Lake County, Cottonwood Heights City, Cottonwood Heights Parks and Recreation District, Salt Lake County Library, Central Utah Water Conservancy, Cottonwood Improvement District, and South Salt Lake Valley Mosquito Abatement. The proportionate amount paid to each taxing district is represented in the chart below:

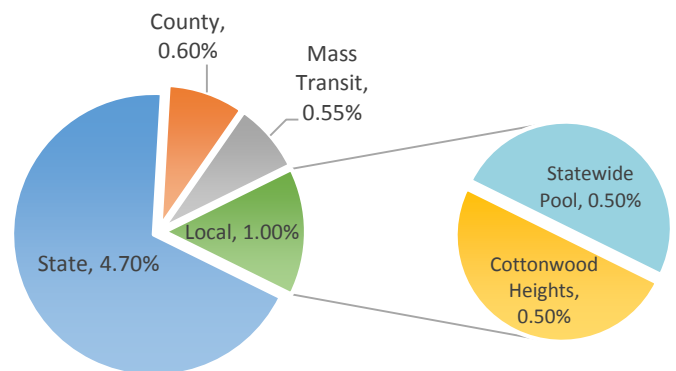
**Cottonwood Heights Property Taxes**



By State law, primary residences are taxed at 55% of their value as assessed by Salt Lake County. All other real and business personal property is taxed at 100% of assessed value. Cottonwood Heights property tax rate is .2239%. So, a primary residence in Cottonwood Heights with an assessed value of \$300,000 would pay \$369.43 in property taxes to Cottonwood Heights.

**Sales Tax.** Sales Tax is the second largest source of revenue for the City, representing 34% of total governmental revenue. Cottonwood Heights assesses a 1% sales on all retail sales of goods, but not services. However, following State law, 50% of this revenue comes directly to Cottonwood Heights, while the other 50% is distributed Statewide based on population. Other entities also levy a sales tax. How this tax is distributed is shown by the chart below:

**Sales Tax Distribution**



**Grants.** Cottonwood Heights received \$1,246,867 in grants during the 2015 year. The largest grant comes from the State of Utah and its origin is gasoline taxes paid by all Utah residents. These funds totaled \$1,088,281 during the year and are distributed by the State from a formula that includes both population and road miles. The City looks for other opportunities to fund important City functions through State and Federal grants.

**Fees.** Another Source of revenue is fees charged for services, primarily related to community development. Companies, or individuals, looking to develop property within the boundaries of Cottonwood Heights pay fees for planning, business licenses, building permits, and plan reviews. These fees help the City develop in a way that follows safe and fundamentally sound building practices.



## *City Services*

As a local general purpose government, Cottonwood Heights provides a full range of municipal services. Some of these services are provided internally, while some services are provided by other governmental agencies or private contractors. Still other services are provided to Cottonwood Heights residents by special districts.

Cottonwood Heights serves the residents of the City by performing the following functions using City personnel.

- Police
- Planning and Zoning
- Economic Development
- Highways and Public Improvements
- Finance and Treasury



For certain services, the City contracts with the following agencies or private companies:

- Fire and emergency services are provided by Unified Fire Authority
- Snow plowing and asphalt maintenance are provided by Terracare Associates, LLC
- Gilson Engineering performs engineering services with Brad Gilson serving as the City Engineer
- Sunrise Engineering does plan review and inspections with Jody Hilton serving as the City Building Official
- Legal Services are provided by the firm of Callister, Nebeker, & McCollough, with W Shane Topham functioning as the City Attorney

The following services are provided directly to Cottonwood Heights residents by other governments or special service districts. Taxes and fees are paid directly to these entities.



- Water treatment and distribution is provided by Salt Lake City and Jordan Valley Water Conservancy
- Cottonwood Improvement District provides wastewater collection and treatment
- Wasatch Front Waste & Recycling services Cottonwood Heights for the disposal of solid waste and recycling
- Library Services are provided by Salt Lake County





## Financial Information

Government accounting standards require financial information to be presented on both a long-term, full accrual (Government Wide) method as well as a current view (fund) basis. For the year ending June 30, 2015 the City's Government-Wide Statement of Activities reports the following results:

### Government-Wide Financial Data

STATEMENT OF ACTIVITIES (Governmental Funds)			
	2015	2014	
<b>Revenues:</b>			<p>The Statement of Activities provides information on a full accrual basis. Revenues and expenses are recorded based on the economic substance of the transaction and does not always match how these transactions were recorded in the budget.</p> <p>The City enacted no new taxes or fees during the year, so any changes between FY 2014 and FY 2015 are based on changes in economic factors such as consumer spending habits, or in property growth.</p> <p>Other department changes from year to year were primarily due to increases in the cost of employee health insurance premiums, Utah State pension rates, and cost of living wage adjustments, and changes in personnel.</p>
Program Revenue			
Fees, Fines, and Charges for Services	\$ 1,262,945	\$ 1,370,453	
Capital Grants and Contributions	1,968,068	3,530,885	
Operating Grants and Contributions	1,543,851	1,516,576	
Total Program Revenue	<u>4,774,864</u>	<u>6,417,914</u>	
General Revenues:			
Property Tax	6,646,537	6,684,948	
Sales Tax	5,342,298	5,231,303	
Motor Vehicle Fee-In-Lieu	366,675	390,535	
Franchise Tax - Cable TV	305,641	303,918	
Unrestricted investment earnings	91,956	37,394	
Loss on Sale of Capital Assets	-	12,000	
Miscellaneous	76,246	48,200	
Total general revenue and transfers	<u>12,829,353</u>	<u>12,708,298</u>	
<b>Total Revenue</b>	<u>17,604,217</u>	<u>19,126,212</u>	
<b>Expenses:</b>			
<b>Primary Government:</b>			
Governmental Activities:			
General Government	2,420,606	2,902,400	
Public Safety	9,025,584	8,932,299	
Highways & Public Improvements	6,428,742	5,957,314	
Community & Economic Development	1,058,098	970,886	
Interest on long-term debt	547,992	13,788	
<b>Total Expenses</b>	<u>19,481,022</u>	<u>18,776,687</u>	
Change in Net Assets	(1,876,805)	349,525	
Net Assets Beginning of the Year	53,161,901	54,363,409	
Net Assets End of the Year	<u>\$ 51,285,096</u>	<u>\$ 54,712,934</u>	



## Fund Financial Data

The following information is presented from the City's fund financial statements. These statements differ from the Statement of Activities shown on the previous page in that the information is presented on a current resources model and matches the flow of these resources to the City's budget. The information below is only related to revenues and expenditures of the City's general fund. Information on the City's other funds can be found by accessing the Comprehensive Annual Financial report on the City's website.

**General Fund Revenues.** The City's General Fund is the primary operating fund of the City. Most of the revenues in the General Fund come from taxes levied to and paid by Cottonwood Heights residents. However, some general fund revenue comes from fees paid for services provided. The chart below illustrates the proportionate sources of revenue for Cottonwood Heights



### General Fund Revenues

- Property Tax - \$6,643,805
- Sales Tax - \$5,319,432
- Grants - \$1,246,867
- Other Taxes - \$992,165
- Courts - \$528,102
- Licenses - \$517,531
- Other Revenues - \$266,791

**General Fund Expenditures.** Cottonwood Heights provides numerous services to the residents of the City. These services consist of public safety, street maintenance, and planning and zoning. Other expenditures are made to City departments in support of these operational departments. These services include such functions as: accounting, legal services, city council, and other management expenditures. The chart below illustrates how these funds are spent.

### General Fund Expenditures

- Public Safety - \$8,826,324
- General Government - \$3,025,254
- Street Improvements - \$2,566,095
- Community Development - \$990,682
- Capital Outlay - \$1,570,033





## 2014-2015 City Goals

Through the budgeting and strategic planning process, Cottonwood Heights has identified several goals to focus on during the year. A brief summary of these goals is given below. More detail concerning these goals can be found in the City's budget document.

- I. Promote and emphasize an attitude of pleasantly assisting all customers with the goal of satisfactorily “resolving the issue” for the customer.
- II. Provide effective policy and appropriate administrative oversight for the planning, design, and construction of the new City Municipal Center (City Hall and Police Facility).
- III. Provide effective policy and appropriate administrative oversight for the planning and operations of Public Works.
- IV. Implement policies and provide for the current and future financial stability of the City.
- V. Provide effective policy and appropriate administrative oversight for the planning and operations of Community and Economic Development.
- VI. Implement municipal considerations for the following:
  - a. Annexation Requests
  - b. Victim Advocacy
  - c. Improve Web Site
  - d. Butler Middle School Auditorium Upgrades
  - e. City History
  - f. City Activities
- VII. Provide active support to the City emergency management team in providing services to the residents and businesses within the City, focusing on the “four phases” of emergency management planning; mitigation, preparedness, response, and recover while working with other city, county, state and federal level emergency management teams to integrate best practices in the planning effort.







## *Administrative & Statutory Officials*

Deputy City Manager	Bryce Haderlie
City Finance Director and Budget Officer	Dean Lundell
City Director of Community & Economic Development	Brian Berndt
City Police Chief	Robby Russo
City Public Works Director	Mike Allen
City Treasurer	David Muir
City Recorder	Linda Dunlavy

City Attorney	Shane Topham— Callister, Nebeker, & McCullough
City Fire Chief	Mike Watson— Unified Fire Authority
City Engineer	Brad Gilson— Gilson Engineering
City Building and Zoning Official	Jody Hilton— Sunrise Engineering

Visit Cottonwood Heights City at

<http://www.cottonwoodheights.utah.gov>

- find the budget
- find the Annual Financial Statements (CAFR)
- find the Popular Annual Financial Report (PAFR)
- find the Monthly Financial Report to the Council
- find information about the mayor and city council
- find hot topics going on in the city
- find news and events happening
- find city calendar of events and meetings
- find job opportunities
- find monthly message from the mayor or member of the city council
- find department contacts and information and lots of other good stuff.

also

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### **City Hall:**

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